

**Terraces at South Mountain
Homeowners Association, Inc.**

Amended Articles of Incorporation
(For Compliance with FHA and VA Regulations)

In compliance with the requirements of Title 5, Subtitle 2 of the Corporations and Associations Article of the Annotated Code of Maryland, the undersigned, a resident of Maryland, who is at least eighteen years of age, has this day formed a nonstock corporation, not for profit, and does hereby certify:

ARTICLE I

The name of the Corporation is TERRACES AT SOUTH MOUNTAIN HOMEOWNERS ASSOCIATION, INC., hereafter called the "Association".

ARTICLE II

The principal office of the Association is located at 178 Thomas Johnson Drive, Suite 202L, Frederick, Maryland 21702.

ARTICLE III

Stephen P. Oder, whose address is 10805 Oaks Forest Drive, Hagerstown, Maryland 21740, is hereby appointed the registered agent of the Association.

ARTICLE IV

The terms "Association", "Common Area", "Company", "Lots", "Owner", and "Property" as used in these Articles of Incorporation shall have the meanings set forth in the Amended and Restated Declaration of Covenants, Conditions and Restrictions relating to the Terraces at South Mountain Homeowners Association, which Declaration shall be recorded among the Land Records of Frederick County, Maryland (the "Declaration").

ARTICLE V

PURPOSES AND POWERS OF THE ASSOCIATION

The Association shall not operate for pecuniary gain or profit, shall not issue capital stock, and no part of the net earnings of the Association shall inure to the benefit of any member or individual (except that reasonable compensation may be paid for services rendered), and the specific purposes for which it is formed are to provide for: (i) the use, improvement, maintenance, operation and repair of the Common Areas located in the Property including any improvements and amenities located thereon; (ii) the establishment of rules and regulations for the

use of the Common Areas including any improvements and amenities located thereon; (iii) the distribution among the Owners of the Property of the costs of the use, improvement, maintenance, and repair of the Common Areas including any improvements and amenities located thereon; and (iv) the promotion of the health, safety, pleasure, recreation, and welfare of the residents of the Lots within the Property. In furtherance of these purposes, the Association, (by action of its Directors unless otherwise noted in these Articles of Incorporation or in the Declaration) shall have full power to:

(a) exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration as the same may be amended from time to time as therein provided, the Declaration being incorporated herein by reference as if set forth at length;

(b) fix, levy, collect, and enforce payment by any lawful means of all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the affairs of the Association, including all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

(c) acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use, or otherwise dispose of real or personal property in connection with the affairs of the Association, subject, however, to the requirements of the Declaration;

(d) borrow money and, with the assent of two-thirds (2/3) of the votes of each class of members of the Association, mortgage, pledge, convey by deed of trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(e) dedicate, sell, or transfer all or any part of the Common Area to any public agency, authority, or utility subject, however, to the requirements of the Declaration and to such conditions as may be agreed to by the members;

(f) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional property and open space, provided that, except as otherwise provided in the Declaration, any such merger, consolidation or annexation shall have the assent of two-thirds (2/3) of the votes of each class of the members; and

(g) have and to exercise any and all powers, rights and privileges which a nonstock corporation organized under the Corporation Law of the State of Maryland by law may now or

hereafter have or exercise.

ARTICLE VI

Every Owner shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

ARTICLE VII

The Association shall have two classes of voting membership:

Class A: Class A members shall be all Owners with the exception of the Company and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members; however, for purposes of a quorum they shall be treated as a single member. The votes for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B: The Class B Member(s) shall be the Company and shall be entitled to three votes for each Lot owned. The Class B Membership shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership; or

(b) on the seventh anniversary of the date of the Declaration.

Provided, however, the Class B Membership shall be revived (and the Company shall again be entitled to three votes for each Lot owned by the Company) during any periods of time occurring before the seventh anniversary of the date of the Declaration, when by reason of the annexation of additional land as a part of the Property additional Lots owned by the Company exist which, when added to the other Lots then owned by the Company, would result in the Company having more than fifty percent (50%) of the votes of the Association were the Company to have three votes for each Lot owned by the Company instead of only a single vote for each Lot owned by the Company.

ARTICLE VIII

BOARD OF DIRECTORS

The affairs of this Association shall be managed by a Board of three (3) Directors, who need not be members of the

Association. The number of Directors may be changed by amendment of the Bylaws of the Association. The names and addresses of the persons who are to act in the capacity of Directors until the selection of their successors are:

Karen C. Crum	301 Copper Oaks Drive Woodsboro, Maryland 21798
Stephen P. Oder	10805 Oaks Forest Drive Hagerstown, Maryland 21740
Edward G. Smariga	178 Thomas Johnson Drive, Ste. 202L Frederick, Maryland 21702

These Directors, (herein called "Charter Directors") shall serve until the first annual meeting of the members at which their successors are elected. In the event of death or resignation of a Charter Director during his term of office, the remaining Charter Directors shall elect a successor Charter Director to fill the unexpired term of such Charter Director.

ARTICLE IX

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by the holders of not less than two-thirds (2/3) of the votes of each class of the members. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that acceptance of such a dedication is refused, the assets shall be granted, conveyed, and assigned to any nonprofit corporation, association, trust, or other organization to be devoted to similar purposes.

ARTICLE X

The Association shall exist perpetually.

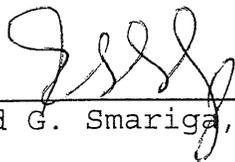
ARTICLE XI

Amendment of these Articles shall require the assent of the holders of two-thirds (2/3) of the votes of each class of members present in person or by proxy at the meeting at which the vote is taken. Anything set forth above in this Article XI to the contrary notwithstanding, the Company shall have the absolute unilateral right, power, and authority to modify, revise, amend, or change any of the terms or provisions of these Articles of Incorporation all as from time to time amended or supplemented. However, this

unilateral right, power, and authority of the Company may be exercised if and only if the Veterans Administration (VA), the Federal Housing Administration (FHA), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), or the Government National Mortgage Association (Ginnie Mae) or any successor agencies or entities thereto or any agencies or entities providing similar programs shall require such action as a condition precedent to the approval by such agency or entity of the Property or any part thereof or any Lots thereon for approved mortgage financing purposes under applicable VA, FHA, Freddie Mac, Fannie Mae, Ginnie Mae, or similar programs. If the VA or the FHA or any successor agencies thereto approve the Property or any part thereof or any Lot therein for federally approved mortgage financing purposes, any amendments to these Articles made during any period of time when there are Class B members of the Association shall also require the prior consent of the agency giving such approval.

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of Maryland, the undersigned, Edward G. Smariga, whose post office address is 178 Thomas Johnson Drive, Suite 202L, Frederick, Maryland, 21702, being at least eighteen years of age, has executed these Amended Articles of Incorporation this 23^d day of June, 1995, and under the penalties of perjury, hereby affirms that there is no stock of the Corporation outstanding and that this Amendment is made before the organizational meeting of the Board of Directors

RECORDING FEE 50.00
TOTAL 50.00
Res# FR01 Acpt # 13694
CCK DMK Blk # 289
Nov 02, 1995 11:17 am



Edward G. Smariga, Incorporator

COUNTY OF Montgomery)
STATE OF MARYLAND) ss:

I HEREBY CERTIFY that on this 23^d day of June, 1995, before me, the undersigned officer, personally appeared Edward G. Smariga, who acknowledged the foregoing Amended Articles of Incorporation to be his act as the incorporator named therein.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year first above written.


Notary Public

My commission expires: 7-9-97
terrace.att

TERRACES AT SOUTH MOUNTAIN
HOMEOWNERS ASSOCIATION, INC.

BYLAWS

ARTICLE I

NAME AND LOCATION. The name of the corporation is Terraces at South Mountain Homeowners Association, Inc., hereinafter referred to as the "Association". The principal office of the corporation shall be located at 178 Thomas Johnson Drive, Suite 202L, Frederick County, Maryland 21702 but meetings of members and directors may be held at such places within the State of Maryland, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. The terms "Association", "Company", "Common Area", "Lots ", "Owner" and "Property" as used in these Bylaws shall have the meanings set forth in the Amended and Restated Declaration of Covenants, Conditions and Restrictions relating to the Terraces at South Mountain Subdivision, plats of which are to be recorded among the Land Records of Frederick County (the "Declaration").

Section 2. "Member" means those persons or entities entitled to membership in the Association as provided in the Declaration.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held in the same month of each year thereafter, at a date, time and place within the State of Maryland selected by the Board of Directors of the Association.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the president or by the Board of Directors, or upon written request of the Members who are (i) entitled to vote one-fourth (1/4) of all of the votes of the Class A Membership or (ii) entitled to vote one-fourth (1/4) of all of the votes of the Class B Membership.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of the notice, postage prepaid, or by delivering a copy of the notice to those Members actually residing on Lots on the Property,

not less than fifteen (15) nor more than sixty (60) days before the meeting, to each Member, addressed to the Member's address last appearing on the books of the Association, or supplied by the Member to the Association for the purpose of notice. The notice shall specify the place, day, and hour of the meeting. In the case of a special meeting, the notice shall state the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of Members or proxies entitled to cast one-tenth (1/10) of the votes of the Membership shall constitute a quorum for any action except as otherwise provided in the Declaration or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

ARTICLE IV

BOARD OF DIRECTORS SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of three (3) directors, who need not be Members of the Association.

Section 2. Term of Office. The terms of office of the "Charter Directors" (as defined in the Articles of Incorporation of the Association) shall be for the period until the first annual meeting of the Members at which their successors are elected. The terms of each director other than a Charter Director shall be for one (1) year or until his successor is elected, whichever shall be the longer period. Each director, other than a Charter Director, shall be elected at the annual meeting.

Section 3. Removal. Any director, other than a Charter Director, may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal, pursuant to these Bylaws, of a Director, his successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses

incurred in the performance of his duties.

Section 5. Action Taken without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination of Directors for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two or more other persons. The Nominating Committee shall be appointed by the President of the Association prior to each annual meeting of the Members, to serve until the close of the annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall, in its discretion determine, but not less than the number of vacancies that are to be filled. Nominations may be made from among Members or nonmembers.

Section 2. Election. Election to the Board of Directors shall be by written ballot. At the election the Member or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least annually at such place and hour as may be fixed from time to time by resolution of the Board, without the necessity of further notice.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two Directors, after not less than three (3) days' notice to each Director.

Section 3. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the power to:

(a) adopt and publish rules and regulations governing the use of the Common Areas including any improvements and amenities located thereon, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights, and the right of use of any recreational facilities located on any Common Area during any period in which the Member is in default in the payment of any assessment levied by the Association; these rights may also be suspended for a period not to exceed sixty (60) days for an infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the Members by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration; and

(d) employ a manager, independent contractors, or other employees or contractors as they deem necessary, and to prescribe their duties.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) keep a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such a statement is requested in writing by the holders of one-fourth (1/4) of the votes of the Class A Members or by the holders of one-fourth (1/4) of the votes of the Class B Members;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration to:

(1) Fix the amount of the annual assessment against each Lot not later than February 1st of each year;

(2) send written notice of each annual assessment to every Lot Owner subject thereto not later than February 1st of each year, and of each special assessment, at least forty-five (45) days in advance of its due date; and

(3) foreclose the lien against a Lot if the Owner thereof has not paid the assessment thereon within such time as the Board of Directors may determine, or bring an action at law against the Lot Owner personally obligated to pay the same;

(d) issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid; a reasonable charge may be made by the Board for the issuance of these certificates; (if the certificate states that an assessment has been paid, the certificate shall be conclusive evidence of payment with respect to any person relying on the certificate);

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(g) cause the Common Areas to be maintained.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a President and Vice-President, who shall at all times be Members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors and thereafter at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of the notice or at any later time specified therein, and unless otherwise specified therein, the

acceptance of the resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to the vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. Not more than two offices may be held by the same person.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The President shall preside at all meetings of the Members and of the Board of Directors and see that orders and resolutions of the Board are carried out. The President shall have authority to sign all leases, mortgages, deeds, and other written instruments.

Vice-President

(b) The Vice-President shall act in the place and stead of the President in the event of his absence, inability, or refusal to act, and exercise and discharge such other duties as may be required of him by the Board. The Vice-President shall likewise have authority to sign all leases, mortgages, deeds, and other written instruments.

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; and perform such other duties as required by the Board.

Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and disburse these funds as directed by resolution of the Board of Directors; keep proper books of account; cause an annual audit of the Association books to be made at the completion of each fiscal year; and prepare an annual budget and a statement of income and expenditures to be presented to the Membership at its regular annual meeting, and deliver a copy of each to the Members requesting the same.

ARTICLE IX

COMMITTEES

The Association shall appoint such committees as deemed appropriate in carrying out its purposes.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association assessments which are secured by a continuing lien upon the Lot against which the assessment is made. If the assessment is not paid on the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Lot, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE XII

AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by the holder of two-thirds (2/3) of the votes of the Members of the Association present in person or by proxy at the meeting at which the vote is taken. Anything set forth above in this Article XII to the contrary notwithstanding, the Company shall have the absolute unilateral right, power and authority to modify, revise, amend or change any of the terms or provisions of these Bylaws all as from time to time amended or supplemented. However, this unilateral right, power and authority of the Company may be exercised only if the Veterans Administration (VA), the Federal Housing Administration (FHA), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), or the Government National

Mortgage Association (Ginnie Mae), or any successor agencies or entities thereto or any agencies or entities providing similar programs shall require such action as a condition precedent to the approval by such agency or entity of the Property or any part thereof or any Lots thereon for approved mortgage financing purposes under applicable VA, FHA, Freddie Mac, Fannie Mae, Ginnie Mae or similar programs. If the VA or the FHA or any successor agencies thereto approve the Property or any part thereof or any Lot therein for federally approved mortgage financing purposes, any amendments to these Bylaws made during any period of time when there are Class B members of the Association shall also require the prior consent of the agency giving such approval.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and the Articles or these Bylaws, the Declaration shall control.

ARTICLE XIII

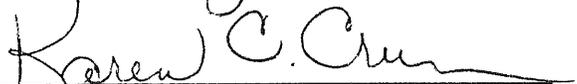
MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation and end on December 31st of that year.

IN WITNESS WHEREOF, we, being all of the Directors of Terraces at South Mountain Homeowners Association, Inc., have hereunto set our hands this 2th day of July, 1995.



Edward G. Smariga



Karen C. Crum



Stephen F. Oder

C E R T I F I C A T I O N

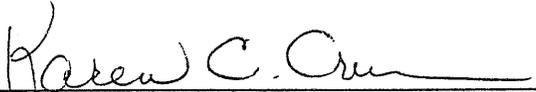
I, the undersigned, do hereby certify:

THAT I am the duly elected and acting secretary of Terraces at South Mountain Homeowners Association, Inc., a Maryland

corporation; and

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 27th day of July, 1995.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 27th day of July, 1995.



Karen C. Crum

Amended and Restated Declaration
of Covenants, Conditions and Restrictions
for
The Terraces at South Mountain

THIS AMENDED AND RESTATED DECLARATION ("the Declaration") made this 13th day of JULY, 1995, by TSM Limited Partnership, a Maryland limited partnership (the "Company")

R E C I T A L S

A. The Company owns an 8.42 acre tract of land, more or less, located in the Town of Myersville, Frederick County, Maryland which is more particularly described in "Exhibit A", attached hereto and made a part hereof. Portions of the tract are shown on the subdivision plat(s) entitled the Terraces at South Mountain and recorded among the Plat Records of Frederick County, Maryland in Plat Book 56, folio(s) 96 and 97 (the "Property").

B. Heretofore the Company recorded among the Land Records of Frederick County a Declaration of Covenants, Conditions and Restrictions in Liber 2083, folio 827 and a "First Amendment" in Liber 2097, folio 812. The Company desires to amend the aforesaid Declaration and First Amendment by substituting this Amended and Restated Declaration for the aforesaid Declaration and First Amendment.

C. The Company desires to subject the Property, and the lots located therein (the "Lots"), to the Covenants, Conditions and Restrictions set forth below which are for the purpose of protecting the value and desirability of the Property and the Lots, and are for the purpose of distributing among the Lot Owners the cost of maintaining and operating the Common Areas located within the Property, and any improvements constructed thereon.

D. The Company, hereby declares that the Property shall be held, sold and conveyed subject to the Covenants, Conditions and Restrictions set forth below.

ARTICLE I

DEFINITIONS

(a) "Association" means the Terraces at South Mountain Homeowners Association, Inc.

(b) "Common Area(s)" means those areas of land, designated on recorded or to be recorded subdivision plats of the Property as "open space", intended to be owned by the Association and devoted to the common use and enjoyment of the owners of the Lots.

(c) "Company" means TSM Limited Partnership and any successor or assign thereof to whom it shall convey or otherwise transfer all of the rights, title and interest in the Property then owned by it, and to whom it shall expressly transfer, and assign all of its rights, title and interest under this Declaration, or any amendment or modification thereof.

(d) "Owner" means the person, or legal entity, or the combination thereof, including contract sellers, holding the record fee simple title to a Lot in the Property, as the Lot is now or may from time to time hereafter be created or established. If more than one person, or other legal entity or any combination thereof, holds the record title to any Lot, all of them shall be deemed a single record owner and shall be a single member of the Association by virtue of their ownership of the Lot. The term "Owner" shall not mean any contract purchaser, nor shall it include any mortgagee or other person or legal entity holding an interest in a Lot as security for the performance of an obligation.

(e) "Property" means all of the land shown on the "Plats of Subdivision" more particularly referred to in paragraph A of the Recitals to this Declaration and such additional land as may be subjected to this Declaration under the provisions of Article II below.

ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION AND ADDITIONS THERETO

SECTION 1

All of the land shown on the Plat(s) referred to in paragraph A of the Recitals to this Declaration (the "Existing Property") shall be, transferred, held, sold, conveyed, and occupied subject to this Declaration.

SECTION 2

Additional lands may be subjected to this Declaration in the following manner:

(a) The Company, its successors, and assigns, shall have the right for seven (7) years from the date of this Declaration to bring within the operation and effect of this Declaration additional portions of the land more particularly described on Exhibit A attached as a part of this Declaration.

The additions authorized under this Section 2(a) may be made by referencing this Declaration in the Deeds for the Lots and parcels of land within the parcel of land described in Exhibit "A".

The additions authorized by Section 2(a) shall not require the approval of the Association.

(b) Upon the written approval of the Association after the Association has attained the assent of the holders of two-thirds (2/3) of the votes of each class of members present in person or by proxy at the meeting at which the vote is taken, the owner of any land who desires to subject it to the operation and effect of this Declaration may do so by recording among the aforesaid Land Records a supplement to this Declaration describing the additional land and stating that it is subject to this Declaration.

Any such Supplement to this Declaration may contain such complementary additions and modifications of the Covenants, Conditions, and Restrictions contained herein as may be necessary to reflect the different character, if any, of the added Property, provided they are not inconsistent with this Declaration. In no event, however, shall the supplement to this Declaration revoke, modify, or add to the Covenants, Conditions, and Restrictions established by this Declaration insofar as they pertain to the Property as the same exists prior to the supplement.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

SECTION 1

Every Owner of a Lot shall be a member of the Association. Membership shall be appurtenant to and may not be separated from the ownership of the Lot.

SECTION 2

The Association shall have two classes of voting membership:

Class A. Except for the Company (which shall initially be a Class B member), the Class A members shall be all of the Owners of the Lots. Each Class A member shall be entitled to one vote per Lot, for each Lot owned by it, in all proceedings in which action shall be taken by members of the Association.

Class B. The Class B member shall be the Company. The Class B member shall be entitled to three votes per Lot for each Lot owned by it, in all proceedings in which action shall be taken by members of the Association.

The vote of any Class A member comprised of two or more

persons, or other legal entities, or any other combination thereof, shall be cast in the manner provided for in the Articles of Incorporation of the Association, or as the several constituents may determine, but in no event shall all such constituents cast more than one vote per Lot for each Lot owned by them.

The Class B membership in the Association shall cease and be converted to Class A membership in the Association on the seventh anniversary of the date of this Declaration or at such earlier time as the total number of votes entitled to be cast by Class A members of the Association equals or exceeds the total number of votes entitled to be cast by the Class B member of the Association. Provided, however, the Class B Membership shall be revived (and the Company shall again be entitled to three votes for each Lot owned by the Company) during any periods of time occurring before the seventh anniversary of the date of the Declaration, when by reason of the annexation of additional land as a part of the Property additional Lots owned by the Company exist which, when added to the other Lots then owned by the Company, would result in the Company having more than 50 percent of the votes of the Association were the Company to have three votes for each Lot owned by the Company instead of only a single vote for each Lot owned by the Company.

ARTICLE IV

COMMON AREA

SECTION 1

The Company shall grant and convey to the Association, and the latter shall take and accept from the Company, the Common Areas shown on a subdivision plat which is subject to this Declaration, not later than the date the first Lot shown on the subdivision plat which is improved by a dwelling is conveyed to an Owner. At the time of the conveyance the Common Area shall be free of any mortgages, judgment liens, or similar liens or encumbrances.

The Association shall hold the Common Area conveyed to it subject to the following:

(a) The reservation, to the Company, its successors, and assigns, of the beds, in fee, of all streets, avenues, and public highways shown on the subdivision plat(s) which includes the Common Area so conveyed.

(b) The reservation to the Company, its successors, and assigns, of the right to lay, install, construct, and maintain, on, over, under, or in those strips across land designated on the subdivision plat(s), as "Drainage and Utility Easement", "Sewer Easement", "Drainage and Sewer Easement", "Open Space", and "Area Reserved for Future Road", or otherwise designated as an easement area, or on, over, under, or in any portion of any Common Area,

pipes, drains, mains, conduits, lines, and other facilities for water, storm sewer, sanitary sewer, gas, electric, telephone, cable television lines, and other public utilities or quasi-public utilities deemed necessary or advisable to provide adequate service to any Lot now or hereafter laid out or established on the Property, or the area in which the same is located, together with the right and privilege of entering upon the Common Area for such purposes and making openings and excavations therein.

(c) The reservation to the Company, its successors, and assigns of the right to enter upon any Common Area conveyed to the Association for the purpose of construction or completing the construction of improvements and the landscaping of the Common Area.

(d) The reservation to the Company, its successors, and assigns, of the right to continue to use and maintain any storm water management ponds and any sediment control ponds or facilities located on any Common Area conveyed to the Association.

(e) The right of the Company, its agents, successors and assigns to the non-exclusive use of any Common Area for display and exhibit purposes and for the parking of sales and construction trailers, which right company hereby reserves; provided, however, that such use shall not be for a period of more than five (5) years after the conveyance of the Common Area to the Association, or the sale of all the Lots which are improved by Dwelling Units within the Properties, whichever is earlier; provided, further, that no such use by Company or its agents, successors or assigns shall restrict the Members in their use and enjoyment of the Common Area or facilities thereon.

SECTION 2

The Common Areas conveyed to the Association shall be deemed property and facilities for the use, benefit, and enjoyment, in common, of each Owner. Except as otherwise permitted by the provisions of this Declaration, no structure or improvement of any kind shall be erected, placed or maintained on any Common Area except: (i) structures or improvements designed exclusively for community use, including, without limiting the generality of the foregoing, shelters, benches, chairs, or other seating facilities, fences and walls, walkways, roadways, parking, playground equipment, swimming pools, and tennis courts; and (ii) drainage, storm water, and utility systems and structures. The Common Areas may be graded, and trees, shrubs, or other plants may be placed and maintained thereon for the use, comfort, and enjoyment of the Owners, or the establishment, retention, or preservation of the natural growth or topography of the Common Areas, or for aesthetic reasons. No portion of any Common Area may be used exclusively by any Owner for personal gardens, storage facilities, or other

private uses without the prior written approval of the Association.

SECTION 3

No noxious or offensive activity shall be carried on upon any Common Area nor shall anything be done thereon which will become an annoyance or nuisance to the neighborhood.

SECTION 4

The Association shall improve, develop, supervise, manage, operate, examine, inspect, care for, repair, replace, restore, and maintain the Common Areas as from time to time improved, together with any items of personal property placed or installed thereon, all at its own cost and expense.

SECTION 5

The right of each Owner to use the Common Areas shall be subject to the terms, conditions, and provisions as set forth in this Declaration and, to any rule or regulation now or hereafter adapted by the Association for the safety, care, maintenance, good order, and cleanliness of the Common Areas. All such terms, conditions, provisions, rules, and regulations shall inure to the benefit of and be enforceable by the Association and the Company, or either of them, their respective successors and assigns, against any Owner, or any other person, violating or attempting to violate the same, either by an action at law for damages or a suit in equity to enjoin a breach or violation, or to enforce performance of any term, condition, provision, rule or regulation. The Association and the Company shall each have the right, summarily, to abate and remove any breach or violation by any Owner at the cost and expense of the Owner.

ARTICLE V

PROPERTY RIGHTS IN THE COMMON AREAS

SECTION 1

The Company shall hold, and hereafter grant and convey the Lots, subject to the covenants, conditions, and restrictions herein set forth, which are imposed upon the Lots for the benefit of the Company, the Association and the Owners, and their respective personal representatives, successors and assigns, to the end and intent that each Owner hold his Lot subject to the following:

Each Owner, in common with all other Owners, shall have the right and privilege to use and enjoy the Common Areas for the purposes for which the same were designed. This right and privilege shall be appurtenant to and pass with the title to the Lot. The right to the use and enjoyment of all Common Areas shall

be subject to: (i) the right of the Association to charge reasonable admission and other fees for use of facilities within the Common Areas; and (ii) the right of the Association to suspend the voting rights and rights to use the Common Areas by an Owner (a) for any period in which any assessment against his Lot remains unpaid, or (b) for a period not to exceed sixty (60) days for any infraction of published rules and regulations of the Association.

Notwithstanding anything to the contrary set forth herein, under no circumstances shall the rights of an Owner to ingress and egress to his Lot and access to parking for his vehicle be restricted.

SECTION 2

Any Owner may delegate, in accordance with Bylaws of the Association, his right to the use and enjoyment of the Common Areas, and any facilities thereon, to the members of his family, his tenants, or to contract purchasers who reside on his Lot.

SECTION 3

Each Owner shall fully and faithfully comply with the rules, regulations, and restrictions applicable to use of the Common Areas, as these rules, regulations, and restrictions are from time to time adopted by the Association for the safety, care, maintenance, good order, and cleanliness of the Common Area. Each Owner shall comply with the covenants, agreements, and restrictions imposed by this Declaration on the use and enjoyment of the Common Area.

SECTION 4

The rights, privileges, and easements of the Owners are at all times subject to the right of the Association to dedicate or transfer all or any part of any Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed upon by the Association; provided, however, that no such dedication or transfer shall be effective unless approved by a two-thirds (2/3) vote of each class of members of the Association voting in person or by proxy at a meeting called for such purpose, and the same shall have been consented to by the agency, authority, or utility accepting the dedication or transfer.

ARTICLE VI

COVENANT FOR ASSESSMENT

SECTION 1

The Company, for each Lot owned by it within the Property, hereby covenants, and each Owner, by acceptance of a deed hereafter

conveying any such Lot to him, whether or not so expressed in the deed or other conveyance, shall be deemed to have covenanted and agreed to pay the Association (i) annual assessments or charges; and (ii) special assessments or charges for capital improvements, such annual and special assessments and charges to be established and collected as hereinafter provided. The annual and special assessments or charges, together with interest at the rate of twelve percent (12%) per annum accruing from their due date until payment is made, and the costs of collection thereof and reasonable attorney's fees, shall be a charge on, and continuing lien upon each Lot against which an assessment is made. Each assessment or charge, together with interest at the rate of twelve percent (12%) per annum accruing as aforesaid, and costs and reasonable attorney's fees incurred or expended by the Association in the collection thereof, shall also be the personal obligation of the Owner of the Lot. The personal obligation for any delinquent assessment or charge, together with interest, costs, and reasonable attorney's fees, however, shall not pass to the Owner's successors in title, unless expressly assumed by them.

SECTION 2

The assessments and charges levied by the Association shall be used exclusively for promoting the recreation, health, safety, and welfare of the residents of the Property, and in particular for the improvement, operation, and maintenance of the Common Areas, including, but not limited to, the payment of taxes (except to the extent that proportionate shares of such public charges and assessments on the Common Areas may be levied against all Lots on the Property by the tax collecting Authority so that the same are payable directly by the Owners thereof, in the same manner as real property taxes assessed or assessable against the Lots) and insurance thereon.

SECTION 3

Until December 31st of the year in which the first Common Area is conveyed to the Association, the annual assessment shall be \$360.00 per Lot which shall be the maximum annual assessment for that year. Thereafter, the maximum permissible annual assessment shall increase each year by ten percent (10%) of the maximum permissible annual assessment for the previous year without the necessity of a vote of the membership of the Association. The maximum permissible annual assessment may be increased above the ten percent (10%) limitation specified in the preceding sentence only by a vote of two-thirds (2/3) of each class of members of the Association, voting in person or by proxy, at a meeting called for such purpose.

The Board of Directors of the Association may fix the annual assessment against each Lot at any amount not in excess of the maximum permissible annual assessment applicable to that year

without the necessity of a vote of the membership of the Association.

Notwithstanding anything elsewhere set forth herein, the annual assessments or charges made or levied against any Lot of which the Company is the Owner on January 1st of the year to which the assessment pertains, shall equal twenty-five percent (25%) of the annual assessment or charge made or levied against any other Lot on the Property, it being intended that the Company shall not pay more, or less, than twenty-five percent (25%) of the per Lot annual assessment established by the Association under this section.

SECTION 4

In addition to the annual assessments authorized above, the Board of Directors of the Association may levy in any year, a special assessment, applicable for that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of any capital improvement located on any Common Area, including fixtures and personal property related thereto, provided that such assessment shall first be approved by two-thirds (2/3) of the votes of each class of the members of the Association, voting in person or by proxy at a meeting called for such purpose.

SECTION 5

Except as provided in Section 3 of this Article, and in Section 7 of this Article, annual assessments must be fixed at a uniform rate for all Lots.

SECTION 6

Written notice of any meetings of members of the Association called for the purpose of taking any action authorized under Sections 3 or 4 of this Article shall be sent to all members not less than thirty (30) days, nor more than sixty (60) days, in advance of the meeting. At the first meeting, the presence of members, or of proxies, entitled to cast sixty percent (60%) of all of the votes of each class of members entitled to be cast at the meeting shall be necessary and sufficient to constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirements, and the required quorum at any subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting, provided that no subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

SECTION 7

The annual assessments shall commence on the first day of the

month following the first conveyance of a Common Area to the Association. The first annual assessment shall be made for the balance of the calendar year and shall become due and payable on the date fixed for the commencement. The amount of the assessment for the first year shall be an amount which bears the same relationship to the annual assessment provided for in the first sentence of Section 3 of this Article as the remaining number of months in that year bear to twelve. The same reduction in the amount of the annual assessment shall apply to the first assessment levied against any property which is hereafter added to the Property at a time other than the beginning of any calendar year.

The annual assessments for any year after the first year shall be on a calendar year basis and become due and payable on the first day of March of that year. The Board of Directors of the Association may allow the assessments to be paid in monthly installments.

The due date under any special assessment under Section 4 shall be fixed in the resolution authorizing the special assessment; however, such due date shall be at least forty-five (45) days after the date of such resolution.

SECTION 8

The Board of Directors of the Association shall fix the date of commencement and the amount of the annual assessment against each Lot for each assessment period at least one month in advance of the due date for the payment thereof and shall, at that time, prepare a roster of the Lots and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Owner.

If an annual or special assessment is not paid on the due date, the assessment shall be delinquent and shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same, or may foreclose the lien against the Lot for such assessment, and there shall be added to the amount of such assessment the reasonable costs of preparing and filing the action, and in the event that judgment is obtained, such judgment shall include interest on the assessment as above provided and reasonable attorneys' fees to be fixed by the Court together with the costs of the action. Each Owner of a Lot shall by accepting title thereto be deemed to have assented to the passage of a decree for the foreclosure of any lien upon his Lot which results from his failure to pay an assessment on the due date thereof.

SECTION 9

The lien of the assessments provided for herein shall be

subordinate to any mortgage or deed of trust hereafter placed upon the Lot subject to assessment; provided, however, that the sale or transfer of any Lot pursuant to mortgage or deed of trust foreclosure, or any proceeding in lieu thereof, shall only extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. Such sale or transfer shall not relieve the Lot from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment.

No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Areas or abandonment of his Lot.

SECTION 10

At the time of the conveyance of a Lot which is improved by a dwelling, the Owner shall pay to the Association a non-refundable contribution to the Association's working capital fund in an amount equal to twice the monthly assessment rate currently being levied against the Lots. This payment shall be in addition to and shall not be credited towards the general assessment due from each Owner. The working capital fund shall be used by the Association to assist in defraying its initial and ongoing operating expenses.

ARTICLE VII

REPAIR AND MAINTENANCE OF LOTS

The owner of each Lot shall keep the Lot, and the buildings and other improvements thereon, in good order and repair, and free of debris. Lawns shall be seeded and mowed, shrubbery trimmed, and painted exterior surfaces repainted, all in a manner and with such frequency as is consistent with good property management. In the event the Owner of a Lot shall fail to maintain the Lot and the buildings and other improvements thereon as provided herein, the Association, after notice to the Owner and with the approval of the Board of Directors, shall have the right to enter upon the Lot to perform such work as is reasonably required to restore the Lot and the buildings and other improvements thereon to a condition of good order and repair. All costs incurred by the Association in connection with the restoration shall be reimbursed to the Association by the Owner of the Lot, upon demand. All unreimbursed costs shall be a lien upon the Lot until reimbursement is made. The lien may be enforced in the same manner as a lien for an unpaid assessment levied in accordance with Article VI of this Declaration.

ARTICLE VIII

PARTY WALLS, ENCROACHMENTS AND EASEMENTS

SECTION I

Each wall which is built as a part of the original construction of the Dwelling Units and placed on or within six (6) inches of the dividing line of the land between two (2) Dwelling Units or a Dwelling Unit and the Common Area shall constitute a party wall; and, to the extent not inconsistent with the provisions of this Article, the general rules of Maryland Law regarding party walls and liability for property damage due to negligence or willfull acts or omissions shall apply thereto.

Each wall which is built as part of the original construction of a Dwelling Unit in a group of townhouses which constitutes an exterior wall of the unit, and is situated on or within six (6) inches of the property line common to the unit and to the Common Area shall constitute a party wall, and a valid easement over and upon the community property running to the benefit of the Owner of such Unit shall and does hereby exist for such encroachment, so long as it stands. In the event that any one or more of the Dwelling Units in a townhouse community is partially or totally destroyed and is then rebuilt in substantially the same location, and as a result of such rebuilding any portion of the said Dwelling Unit encroaches upon the community property, a valid easement for such encroachment and for the maintenance thereof, so long as it stands, shall be and does exist.

Due to architectural characteristics of certain Dwelling Units within the Association, Company hereby declares that all townhouses located therein shall be subject to easements as hereinafter set forth. Each Owner who shares a party wall or common wall with another Owner of such a unit automatically grants an easement to the Company, the Association, the adjoining Owner and their agents, employees or designees for access to the roof area of such Dwelling Unit for the purpose of inspection, maintenance and repair of such roof surfaces and which easement shall permit the Company, the Association, the adjacent Owner and their agents, employees and designees access at reasonable hours for such purposes. This provision of easement is for the purpose of mutual protection of the Dwelling Units of adjacent Owners from damage or possible damage to the units resulting from roof leakage from or into adjacent units.

The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use. Any Owner shall have the right to go on the land property of any adjoining Owner for the purpose of the reasonable repair and maintenance.

If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice however, to the right of any such Owner to call for a larger contribution from the others under any rule of

law regarding liability for negligent or willful acts or omissions.

Notwithstanding any other provisions of this article, an Owner who by his negligent or willful act causes the party wall that has been used for that purpose to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

The right of any Owner to contribution from any other Owner under these party wall provisions shall be appurtenant to the land and shall pass to such Owner's successors in title.

The Association shall make such rules and regulations concerning party walls as it considers necessary and proper.

In the event of any dispute arising concerning a party wall, or under the provisions of this article, the Owners involved in such dispute shall submit the matter to the Board of Directors of the Association for decision. A ruling by the majority of the Board of Directors regarding any question involved under this article shall be final and conclusive.

SECTION 2

Each bay window, cornice, sill, belt course (or similar ornamental feature), air intake or entrance way or chimney which is a part of the original construction of a Dwelling Unit may project into, over or upon the Common Area to the extent permitted for such projections into required yard areas as defined in the applicable local Zoning Ordinance, as the same may be amended from time to time.

The Company, for itself, its successors and assigns, hereby declares that the rake board on the gable end of one unit may overlap the air space above an adjacent unit or adjacent Common Area and in such cases each such unit shall have the benefit of and be burdened with a perpetual easement to the extent that such overhang exists and where applicable, the adjacent Common Area shall be burdened with a perpetual easement to the extent that such overhang exists.

SECTION 3

In order to provide Dwelling Units with underground utility lines, it may be required from time to time that two (2) Dwelling Units be served with a common service entrance line. Owners of Lots with such lines agree to cooperate fully with the utility companies concerned therewith for all maintenance, repair and other measures as may be necessary to provide adequate and proper services to the Owners thereby.

ARTICLE IX

USE RESTRICTIONS

The following shall be restrictions on the use of the Property and the Lots which shall run with and bind the land:

(a) None of the Lots shall be used for any purpose other than for residential use or for professional offices or for a builder's construction or sales office during the construction and sales period. Provided, however, that this use restriction does not apply to the Company to the extent mentioned in Article IV.

(b) No noxious or offensive activity shall be carried on upon any Lot nor shall anything be done thereupon which may become a nuisance to the neighbors.

(c) No rooftop television, amateur radio, citizens band (CB) or other antenna shall be permitted.

(d) No boats, boat trailers, trailers, recreational vehicles, buses, trucks of a capacity of one (1) ton or more, or unlicensed, junked or inoperative vehicles may be parked in the streets, Common Areas or Lots for more than twenty-four (24) hours, or on a regular basis. The Board of Directors may designate a specific parking area for boats, boat trailers, trailers and recreational vehicles only which shall be adequately screened from nearby residences. The Association shall have the right to establish a fee to be charged to those Lot Owners who utilize said parking area to cover the cost of operating and maintaining same. Notwithstanding anything to contrary set forth herein, the Board may allow the parking of vans over the capacity of one (1) ton if such vans are used for van pool operations as defined in The Transportation Article of the Annotated Code of Maryland, as amended. In allowing the parking of such vans, the Board may restrict its location to a particular area or designated space in the common parking areas or may place other restrictions on the parking of such vehicles, which the Board deems appropriate.

(e) No temporary building, trailer, garage or building in the course of construction shall be used, temporarily or permanently, as a residence on any Lot.

(f) No sign of any kind other than those of the Company, the builder or their designated agent shall be displayed to the public view on any Lot, except that one (1) sign of not more than four (4) square feet advertising that Lot for sale or rent will be permitted, or one (1) sign of not more than two (2) square feet identifying a professional office.

(g) Storage sheds may be erected only if the roofing and siding materials used match that of the existing house or unit.

(h) No animals, livestock or poultry of any kind shall be

raised, bred or kept on any Lot, except that an ordinary number of dogs, cats or other household pets may be kept if maintained in accordance with the duly adopted Rules and Regulations of the Association; and, provided, further, that they are not kept, bred or maintained for any commercial purpose.

(i) No lumber, materials, bulk materials, refuse or trash shall be kept, stored or allowed to accumulate on any Lot except building materials during the course of construction, maintenance or repair of any approved structure by the Company. Lot Owners may store materials for construction, repair or maintenance provided such storage is approved by the Architectural Control Committee. Trash, garbage or other waste shall not be kept except in sanitary containers and such shall not be permitted to remain in public view except on days of trash collection. All containers or other equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition. If a central trash collection area is designated by the Association, then these areas will be under the control of the Association and all members will abide by the current regulations regarding the use of these trash enclosures.

(j) The Company, builder or its designated agent may employ whatever means are appropriate in its sole discretion to sell its lots and homes (including the use of the Common Areas and the use of "model" homes) and may continue its sales operations in the same manner until all its lots and homes in the subdivision are sold.

(k) Easements over the Properties for the installation and maintenance or lines and facilities for electric, telephone, cable television, water, gas drainage, sanitary sewer and the like are hereby reserved by Company, together with the right to grant and transfer the same during such time that Company is the owner of the Property. Company also reserves the right to enter into the Common Area for the purpose of completing the improvements thereon, and on the Lots for the further purpose of carrying out any obligations which it may have or assume with respect to the curing of any defects in workmanship or materials in the Property or the improvements thereon.

(l) No clothing or any other household fabric shall be hung in the open on any Lot unless hung from a device which is removed from view when not actually in use.

ARTICLE X

ARCHITECTURAL AND ENVIRONMENTAL REVIEW COMMITTEE

From and after the completion of construction and first sale and settlement of a Dwelling Unit within the Property by the Company, its successors and assigns, no building, fence, wall or other structure shall be commenced, erected or maintained within

the Association nor shall any exterior addition to or change or alteration therein be made until the plan and specifications showing the nature, kind, shape, height, materials, color and location of the same shall have been submitted to and approved in writing as to the harmony of external design and location thereof in relation to surrounding structures and topography by the Board of Directors of the Association or by an Architectural and Environmental Review Committee composed of three (3) or more persons appointed by the Board. In the event said Board, or its designated Committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with. The Association shall have the right to charge a reasonable fee for reviewing each application in an amount not to exceed \$25.00. Approval of such plans and specifications by the Board or by its appointed Architectural and Environmental Review Committee shall not be deemed a certification of structural adequacy nor an assumption of any responsibility on the part of the Board for any damages or claims arising out of the implementation of such plans by any Owner. Provided further that nothing herein contained shall apply to any buildings, fences, walls, or other structures commenced, erected, maintained or to be erected upon land within the Property as long as title to such land is held by the Company. Any such exterior addition to or change or approval obtained as provided above, shall be deemed to be in violation of this covenant and may be required to be restored to the original condition at Owner's cost.

ARTICLE XI

GENERAL PROVISIONS

SECTION 1

The Association or any Owner shall have the right to enforce, by any preceding at law or in equity, all restriction, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

SECTION 2

Invalidation of any one of these covenants or restrictions by judgment or court order shall not affect any other provisions which shall remain in full force and effect.

SECTION 3

The covenants and restrictions of this Declaration shall run

with and bind the Property for a term of forty (40) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless, prior to the expiration of the then current term, a written instrument shall be executed by the then owners of seventy-five percent (75%) of the Lots stating that this Declaration shall expire at the end of the then current term. This Declaration may be amended during the first forty (40)-year period by an instrument signed by the Owners of not less than ninety percent (90%) of the Lots, and thereafter by an instrument signed by the Owners of not less than seventy-five percent (75%) of the Lots. Any amendment must be recorded among the Land Records of the jurisdiction referred to in the Recitals to this Declaration.

SECTION 4

Anything set forth in Section 3 of this Article to the contrary notwithstanding, the Company shall have the absolute unilateral right, power, and authority to modify, revise, amend, or change any of the terms or provisions of this Declaration, all as from time to time amended or supplemented. However, this unilateral right, power, and authority of the Company may be exercised only if the Veterans Administration (VA), the Federal Housing Administration (FHA), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), or the Government National Mortgage Association (Ginnie Mae), or any successor agencies or entities thereto or any agencies or entities providing similar programs shall require such action as a condition precedent to the approval by such agency or entity of the Property or any part thereof or any Lots thereon, for approved mortgage financing purposes under applicable VA, FHA, Freddie Mac, Fannie Mae, Ginnie Mae, or similar programs.

If the VA or the FHA or any successor agencies approve the Property or any parts thereof or any Lots thereon for federally approved mortgage financing purposes, during any period of time when there are Class B members of the Association, the following require the prior consent of the agency giving such approval: (i) amendments to the Declaration; (ii) annexation of additional properties (other than the property described in Exhibit "A"); (iii) dedication of Common Area (other than the Common Area within the parcel of land described in Exhibit "A"); or (iv) mortgaging of Common Area.

IN WITNESS WHEREOF, the undersigned being the Company herein has hereunto caused the execution of these presence on the day and year first above written.

ATTEST:

TSM LIMITED PARTNERSHIP,
a Maryland limited partnership

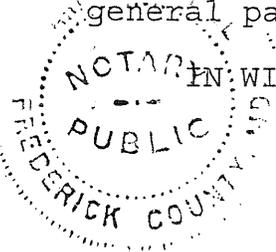
[Signature]

By: [Signature] (SEAL)
Edward G. Smariga, President,
Buckeye, Inc., General Partner

STATE OF MARYLAND, COUNTY OF Frederick, TO WIT:

I HEREBY CERTIFY, that on this 12th day of July, 1995, before me, the subscriber, a Notary Public of the State of Maryland, personally appeared Edward G. Smariga, who acknowledged himself to be the President of Buckeye, Inc., General Partner of TSM Limited Partnership, a Maryland limited partnership, known to me or satisfactorily proven to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the within instrument for the purposes therein contained, as duly authorized President of said Buckeye, Inc. by signing the name of the limited partnership by himself as president of the general partner.

IN WITNESS WHEREOF, I hereunto set my hand and Notarial Seal.



[Signature]
Notary Public

My Commission Expires: 5/1/96

CONSENT OF BENEFICIARY AND TRUSTEES

The undersigned Trustees, Trustees pursuant to a Deed of Trust dated 7 March 1995 and recorded in Liber 2082, folio 940 among the Land Records of Frederick County, Maryland, made by TSM Limited Partnership, Grantor therein, and Farmers & Mechanics National Bank, Beneficiary do hereby consent to the terms of this Amended and Restated Declaration of Covenants, Conditions and Restrictions for the Terraces at South Mountain and subordinate the aforesaid Deed of Trust to the legal operation of and effect of this Declaration.

ATTEST:

BENEFICIARY

[Signature]

By: [Signature] *Service Pres.* (SEAL)
C. RICHARD MILLER, JR.

[Handwritten Signature]

(SEAL)

C. Richard Miller, Jr., Trustee

(SEAL)

Ronald C. Whitmore, Trustee

STATE OF MARYLAND, COUNTY OF MONTGOMERY , TO WIT:

I HEREBY CERTIFY that on this 13th day of July, 1995, before me, the subscriber, a Notary Public in and for the State and County aforesaid, personally appeared C. Richard Miller, Jr. the Sr. Vice President of Farmers & Mechanics National Bank, a body corporate, and acknowledged the foregoing document to be the act and deed of said body corporate. And at the same time he/she made oath in due form of law that he/she is the Sr. Vice President of said body corporate and duly authorized to make this acknowledgement on its behalf and that he/she executed the foregoing instrument in said capacity for the purposes therein contained.

WITNESS my hand and Notarial Seal.

[Handwritten Signature]

Notary Public Kathy Shevock

My Commission Expires: 7/9/97

STATE OF MARYLAND, COUNTY OF Montgomery , TO WIT:

I HEREBY CERTIFY that on this 13th day of July, 1995, before me, the Subscriber, personally appeared C. Richard Miller, Jr., Trustee, who acknowledged that he executed the foregoing instrument for the purposes therein contained.

AS WITNESS my hand and Notarial Seal.

[Handwritten Signature]

Notary Public

My Commission Expires: 7/9/97

STATE OF MARYLAND, COUNTY OF _____

I HEREBY CERTIFY that on this ____ day of _____, 1995, before me, the Subscriber, personally appeared Ronald C. Whitmore, Trustee, who acknowledged that he executed the foregoing instrument for the purposes therein contained.

AS WITNESS my hand and Notarial Seal.

Notary Public

My Commission Expires:

CONSENT OF MORTGAGEE

The undersigned Mortgagee, pursuant to a certain Mortgage dated 7 March 1995 and recorded in Liber 2082, folio 937 among the Land Records of Frederick County, Maryland made by TSM Limited Partnership, Mortgagor therein does hereby consent to the terms of this Amended and Restated Declaration of Covenants, Conditions and Restrictions for the Terraces at South Mountain and subordinates the aforesaid Mortgage to the legal operation and effect of this Declaration.

WITNESS:

[Signature]

[Signature] (SEAL)
Nathan P. Leatherman

STATE OF MARYLAND, COUNTY OF MONTGOMERY , TO WIT:

I HEREBY CERTIFY, that on this 13th day of July, 1995, before me, the subscriber, a Notary Public of the State of Maryland, personally appeared Nathan P. Leatherman, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

WITNESS my hand and Notarial Seal.

[Signature]
Notary Public

My Commission Expires: 7/9/97

CERTIFICATION

I hereby certify that I am an attorney duly admitted to practice before the Court of Appeals of Maryland and that this Declaration was prepared under my supervision.



Harry T. deMoll

terrace.dec

AFTER RECORDING RETURN TO:

Harry T. deMoll
129-3 W. Patrick St.
Frederick, MD 21701

EXHIBIT A

All that lot or parcel of land situated on the south side of Monument Road, in the Town of Myersville, Jackson Election District, Frederick County, Maryland, and being more particularly described as follows: BEGINNING at the southwest corner of the Rogers property, and on the north side of the William L. Waters property as recorded in Liber 481, folio 210, one of the Land Records of Frederick County, Maryland, thence with the north side of the said Waters property:

N 82° 29' 03" W 584.62' to the western corporate limits of the Town of Myersville, thence leaving the said Waters property and with the said corporate limits two courses, and with a division line now established,

N 03° 58' 35" E 620.41' thence,

N 09° 57' 42" W 51.84' to the north of Monument Road, thence,

S 73° 47' 13" E 170.21' to Monument Road, thence with the said road three courses,

S 84° 24' 51" E 172.70' thence,

S 74° 23' 22" E 113.27' thence,

S 65° 45' 27" E 132.00' thence leaving the said road,

S 02° 10' 08" W 309.96' to a point, thence,

S 01° 39' 09" W 287.46' to the place of beginning, containing 8.42 acres of land, more or less.

IMP FD SLRE \$	2.00
RECORDING FEE	75.00
TOTAL	77.00
Res# FREE	Acct # 6024
CHK KAR	Blk # 385
Jul 14, 1935	10:41 am